

City of Tontitown, Arkansas

Agreed-Upon Procedures Report

December 31, 2005

LEGISLATIVE JOINT AUDITING COMMITTEE



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Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

Independent Accountant's Report on Applying Agreed-Upon Procedures

City of Tontitown, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have performed the procedures enumerated below which were agreed to by the management of the City and the Legislative Joint Auditing Committee for the City of Tontitown, Arkansas, as of and for the year ended December 31, 2005. Management is responsible for maintaining the financial records and complying with state law. The procedures enumerated below were not performed for the Tontitown Water Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings for the General (General and Planning Commission) and Special Revenue (Street Funds) are as follows:

Cash and Investments

1. Determine the ending book balance is within 5% or \$100, whichever is greater, of the proof of cash ending balance.

We found the following exceptions as a result of the above procedure:

The ending book balance of the General Fund was \$5,595, ten percent (10%) more than the proof of cash ending balance which was a negative \$54,670. Bank accounts were not reconciled for January, March or May and were incorrect for other months including December which showed "Amount in Error \$1,036,531."

The Planning Commission bank account with an ending bank balance of \$9,914 was not recorded in the City general ledger.

The City failed to maintain a detailed subsidiary ledger of all certificates of deposit to include applicable information and the ending balances.

Receipts

2. a. Determine total receipts per journal are within 5% or \$100, whichever is greater, of deposits per proof of cash.
b. Determine state turnback and sales taxes paid by the State of Arkansas were deposited in the proper fund.
c. Add one month's receipts issued and determine they are within 5% or \$100, whichever is greater, of deposits per bank accounts for all funds.

We found the following exception as a result of the above procedures:

Receipts of the Planning Commission bank account of \$10,000 (100%) were not recorded in the general ledger.

Disbursements

3. a. Determine total disbursements per journal are within 5% or \$100, whichever is greater, of disbursements per proof of cash.
b. For the General and Street Funds, determine total disbursements did not exceed total appropriations by more than 5%.
c. For 10% of disbursements (maximum of 30 for all funds, with at least one disbursement per fund) determine disbursements were documented and paid in accordance with any applicable code provisions. (Materiality level - 5% of the total dollars of selected disbursements or \$100, whichever is greater.)

Disbursements (Continued)

We found the following exceptions as a result of the above procedures:

General Fund disbursements exceeded appropriations by \$51,272, nine percent (9%) which resulted in the General Fund having a negative ending book balance of \$54,670.

Disbursements of the Planning Commission bank account of \$85, one hundred percent (100%) were not recorded in the general ledger.

Checks were not properly imaged to include the back side on checks.

Capital Assets

4. a. Determine all equipment additions to capital assets greater than \$1,000 and five (5) items purchased in previous years greater than \$5,000 were on hand.
- b. Determine the ten (10) largest dollar capital asset additions per the disbursement journals were added to the capital asset listing.

We found the following exception as a result of the above procedures:

We could not determine that equipment additions were properly accounted for because fixed asset records were not updated.

State Law Compliance

5. Evaluate the extent to which the City complied with the following state laws as of and for the year ended December 31, 2005:
 - A. Municipal Accounting Law (§14-59-101 et seq.)
 - B. Budgets (§14-58-201 - §14-58-203)

The commentary contained in this section relates to the following officials who held office during 2005:

Mayor: Paul Maestri (Appointed February 1, 2005)

Mayor: Dan Watson (Resigned January 10, 2005)

Recorder/Treasurer: Toni Zulpo (Appointed April 5, 2005; resigned December 31, 2005)

Recorder/Treasurer: Sherry Pianalto (Resigned March 15, 2005)

Instances of noncompliance are failures to follow the requirements, or violations of prohibitions, contained in the above referenced laws. The results of our application of the stated procedures disclosed the following material instances of noncompliance with the provisions of the referenced laws in the Offices of **Mayor** and **Recorder/Treasurer**. Materiality is defined as noncompliance findings having a significant impact on the accounting records and/or operations of the City.

Mayor

Total disbursements exceeded appropriations of the General Fund by \$51,272, in noncompliance with Ark. Code Ann. 14-58-203. The inability of the City to stay within the parameters of the budget resulted in the General Fund having a negative cash balance of \$54,670 at year-end.

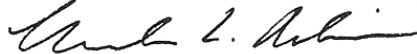
Recorder/Treasurer

1. Six-month financial statements for the second six months of 2005 were posted rather than published in noncompliance with Ark. Code Ann. 14-59-116.
2. All items of income were not receipted as required by Ark. Code Ann. 14-59-109.
3. Cash receipt and disbursement journals were not maintained to reflect all activity and the journals were not reconciled to the bank statements as required by Ark. Code Ann. 14-59-110 and 14-59-111.
4. Detailed bank reconciliations were not prepared for all months and when available, the reconciliations were not accurate as required by Ark. Code Ann. 14-59-108. This precluded the Recorder/Treasurer from presenting a copy to the council on a monthly basis as required by Ark. Code Ann. 14-59-115.
5. Property and equipment records were not properly maintained as required by Ark. Code Ann. 14-59-107.
6. Invoices and supporting documentation were not maintained on all disbursements as required by Ark. Code Ann. 14-59-114.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City government, state executive and oversight management, and other parties as required by Arkansas Code, and are not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



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Legislative Auditor

Little Rock, Arkansas
August 17, 2006
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